Meeting Minutes
November 17, 2005, 3:30 to 4:30 p.m.
Department of Finance, Cedar Room

Attendees:
Bill Avritt (DPA), Deborah Baker (DOF, BSDU), Vince Brown (DOF), Pat Covey (DOF, BSDU), Sue Griffith (SCO), John Harrigan (SCO, HRMS), Ron Joseph (DGS), Clark Kelso (State CIO), Freda Luan-Dun (DOF), Les Lombardo (SCO), Priscilla Moss (CDCR, BIS), Frank Nissen (DOF, BSDU), Michelle Ogata (DGS), Dr. Amar Prakash (CDCR, BIS), Alan Setser (SCO), Kristin Shelton (DOF, BSDU), Terrie Tatosian (DMH), Nancy Valle (SCO), Ben Williams (DWR)
Not in attendance:
Randy Baker (DOF), Terry Bridges (SCO), Armand Burruel (CDCR), Fran Coletti (DMH), Michael Navarro (DPA), Andrea Rohmann (CDCR, BIS), Don Scheppmann (SCO, HRMS), Pat Yerian (AOC)

Goals and Objectives (Vince Brown):
➢ To kickoff the EPAC forum, Vince Brown clarified that the purpose of this advisory council is to serve as a leadership group to facilitate the planning and development of Enterprise Resource Planning (ERP) applications in California. The council offers a forum for partnership, coordination and collaboration amongst state agencies that have an interest in or are impacted by ERP systems.
➢ The state has a significant investment in ERPs already, including current procurements and implementations by Department of Water Resources (DWR), Administrative Office of the Courts (AOC), State Controller's Office (SCO), California Department of Corrections and Rehabilitation (CDCR), and Department of Finance (DOF). The background information on ERPs and state projects provided by the CDCR and DWR will establish a common understanding of what an ERP is and how these integrated models can be utilized by the state.
➢ Some of the primary goals of the council will be to solicit input and partner with impacted agencies ensure a state standards framework that can cross departments, and to find out where we are as a state in terms of ERP systems.

ERP Overview (Dr. Amar Prakash):
➢ ERPs provide an integrated software suite and a foundation for business applications, including financial, human resources and supply chain components.
➢ An ERP solution is capable of meeting 70 to 80 percent of an entity's business needs without customization.
➢ Vince Brown stressed that given the likelihood that enterprise applications will become the states' de facto standard, SCO and DOF must commit to working very closely on development and deployment of statewide ERP financial systems.
➢ ERP solutions are not new; many states are working on completing an ERP solution, with the Commonwealth of Pennsylvania (PA) just finishing theirs.
➢ Vince Brown asked Frank Nissen to report if PA shared what they would do differently if they were to do their ERP implementation over again. Frank discussed how one of the lessons learned by PA was that the human resources module should always be the first phase of an implementation.

Department of Water Resources ERP Project Overview (Ben Williams):
➢ DWR implemented a private sector version of SAP in 1998, including a full range of modules: human resources, finance, plant maintenance, material management, production planning, and CARA (cost allocation) for the state water projects. SAP did not offer a public section version of their product at that time. Trying to adapt a private sector ERP to public sector functionality has presented problems. DWR is currently in process of a re-implementing an SAP public sector version.
➢ Key benefits of the DWR SAP system include:
  • Eliminated a number of stand-alone systems that did not talk to each other
  • Reduced unplanned/unscheduled water project outages which increased availability
➢ The availability of the State Water Project since implementing their ERP in 1998 has increased from 85 to 95 percent.
➢ Vince Brown asked how many staff are dedicated to the re-implementation effort. Ben Williams shared that DWR has 30 permanent state staff dedicated to SAP system support for a staff user base of approximately 3,000. An additional 15 to 31 consultants have been dedicated to the re-implementation effort.
➢ The main objectives of the re-implementation/migration project are:
  • Public sector functionality
  • Continued vendor support
  • Leveraging existing knowledge
➢ Ben Williams shared that the biggest "pain point" in the migration has been implementation of the Budget Planning and Control module, because it does not easily line up with the current state chart of accounts.
➢ DWR is using the SAP ERP model as a guide for implementation.

Lessons Learned:
  • ERP systems are built on a "Best Business Practices" concept.
  • The greatest challenges arise from the fact that the state does not take advantage of best business practices, particularly in the area of procurement.
  • In implementing an ERP it is important to minimize the number of customizations and always follow ERP vendor customization rules.
  • The state needs to use its' collective clout to obtain needed vendor changes. For California fiscal processes, field lengths to conform to the revised chart of accounts will be one area that may require vendor changes.
  • The state needs to standardize procedures for elevating problems in the future.
  • Clark Kelso discussed the need for an inventory to establish minimum state standards in procurement and personnel, and how important it is to determine where to go to get decisions. If we don't do high-level standards, there may be serious future concerns. Eventually, all departments will need to face how to come into compliance with the standards.
  • Plan to spend a fortune on training and change management; this is key to a successful implementation.
  • In order to ensure uninterrupted support of an ERP solution, it is important not to wait too long to upgrade. An ERP version usually has a short life-cycle. SAP specifies how long version support is available on their website.
  • John Harrigan stressed the importance of contracting with the ERP vendor to fully support a single version of their software through the entire implementation, including all components.

DOF Chart of Accounts (COA) Overview (Frank Nissen and Debbie Baker):
➢ Frank Nissen presented why DOF has initiated a project to update the existing COA, activities to date, and short-term goals.
➢ The current state COA is the Uniform Codes Manual (UCM), which needs to be reviewed and updated before addressing the state Budget System.
➢ The COA is more than an accounting issue. DOF is looking at a revision of the financial coding structure for the state.
➢ DOF is looking at a statewide financial ERP solution:
  • More than 200 departments, boards, commissions and agencies were surveyed to find out what systems they currently use and what challenges they face with the existing COA structure.
  • The survey had a 43.5 percent response rate.
➢ Debbie Baker discussed the COA survey results and statistics.
➢ Problems reported include:
  • Insufficient detail and definition in Object Code structure
  • Inconsistent use of codes
  • Need a better glossary to define codes and their appropriate use
  • Need uniform position coding
  • Need greater general ledger detail – CALSTARS accounts for a high-level general ledger; some departments that don't have CALSTARS utilize lower level general ledger structure as defined in the UCM, and sometimes in even greater detail
➢ Follow-up interviews will be scheduled as needed. The COA Work Group will be structured to make information available about departments that have specialized accounting and reporting needs, as well as those who require less complexity in their systems.
➢ Clark Kelso mentioned how enthused he was to hear that 65 percent of the respondents volunteered work group nominations, and that it is an indicator of a high level of interest in improving the state's current systems.
➢ Sue Griffith and Les Lombardo made the following observations:
  • SCO accounts for appropriations at strictly a budget level and does not include detail not reflected in the budget (Budget Act); for instance, their systems do not include encumbrances. The business needs of departments include a far greater level of detail.
  • A multiple layer COA will enhance information drill down capabilities.
  • The audit perspective will be enhanced by Project drill down capabilities, making it easier to identify source information.

Action Item:
➢ Prepare EPAC Charter (CDCR)
➢ Ensure that Marisela Montes (DOT) and Dave Dawson (SCO) are invited to future EPAC meetings (DOF)

Next Steps:
➢ Vince Brown requested that key advisory council participants and substitutes be identified for continuity in future meetings. He announced that those that were invited to this meeting and did not show up would be contacted directly.
➢ The draft EPAC charter will be presented at the January 2006 meeting.